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SUBJECT: AA/S MCNERNEY'S MEETINGS WITH THE AMERICAN BUSINESS COUNCIL
AND THE DUBAI CHAMBER

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¶1. (SBU) Summary: Acting Assistant Secretary for International Security and Nonproliferation Patricia McNerney visited Dubai on October 16 to discuss counter proliferation cooperation and export control issues related to Iran (see septel for meeting with MG Mohammed Al Qemzi). McNerney discussed a range of trade and trade control related issues in events hosted by the American Business Council (official U.S. Chamber of Commerce affiliate) and the Dubai Chamber of Commerce and Industry (DCCI), representing Dubai's private sector. In roundtable discussions with senior members, McNerney also touched upon the impact of Iran on security and economic growth in Dubai. End Summary.

American Business Council

¶2. (SBU) The American Business Council (ABC) hosted AA/S McNerney, accompanied by Deputy Administrator for National Nuclear Security Administration's Office of Defense Nuclear Nonproliferation Will Tobey and Consul General, for a roundtable discussion with senior members McNerney talked broadly about the U.S.' policy towards Iran and the success we have had pressuring Iran through United Nations Security Council sanctions and targeted financial measures. She described the U.S.'s concerns about Iran's nuclear program, as well as the deep implications for the region should it acquire nuclear weapons. McNerney pointed out how Dubai's relationship with Iran affects its security and economic prosperity.

¶3. (SBU) On export controls, McNerney discussed implementation of the UAE's new export controls law and how export controls are helping to build a more secure business environment in the UAE. McNerney noted that Hong Kong and Singapore are models of implementing export controls without disrupting legitimate business. McNerney underscored the important role the American business community can play in preventing the diversion of controlled materials to Iran, especially as the UAE works toward better implementation of its export control law. Tobey described for the group a number of Department of Energy programs to detect, secure, and dispose nuclear material as well as prevent nuclear terrorism and proliferation.

¶4. (SBU) McNerney also highlighted the positive impact in the region of the Section 123 Nuclear Cooperation Agreement under negotiation with the UAE as an example of transparent cooperation in pursuit of a civilian nuclear power program. The Agreement will allow the UAE to produce nuclear energy without enrichment and reprocessing capabilities. Countries adopting this program will rely on external fuel banks created by the IAEA. Although the Section 123 Agreement is still under

negotiation in the UAE, McNerney noted that the UAE and the United States were very close to reaching agreement on the text.

15. (SBU) In a question and answer session, McNerney was asked a series of questions on regional stability and transparency on Israel. One member of the American business community commented that businesses are establishing offices in countries such as Tunisia and bypassing Dubai to transport goods to Iran. While specific companies were not named, the argument suggested that Dubai is transitioning away from being the economic pipeline to Iran. McNerney said that, if true, this would be a good news story because it indicates that the new export control laws are forcing nefarious companies to make extra stops in the shipment of goods to Iran. Extra stops, she noted, provide more opportunities for interdictions of sensitive materials en route to Iran and make it more difficult and costly for Iran to get these items. She noted that while Dubai is a significant point for diversion to Iran, Dubai is not the only problem.

16. (SBU) A businessman from Federal Express noted their particular problem in applying U.S. sanctions law in Dubai and their frustration that their competitor DHL is a significant player in the Iranian market yet is also receiving lucrative U.S. government contracts in Iraq. McNerney agreed to look into addressing this issue. A representative from Hewlett-Packard complained that due to strict citizenship laws in the UAE, Iranians residing in the UAE for decades remain Iranian nationals, and thus U.S. laws prohibit the technology transfer necessary to adequately train them as employees. One businessman repeated the oft-heard complaint about the difficulty of getting U.S. visas, especially for third country nationals requiring special processing. The Consul General said the USG will continue to work to improve procedures and process visa applications for legitimate businessmen as expeditiously and fairly as possible under U.S. regulations.

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Dubai Chamber of Commerce

17. (SBU) The Dubai Chamber of Commerce and Industry (DCCI), the premier organization representing all sectors of Dubai's dynamic private sector also hosted a roundtable discussion for select senior members, including Vice Chairman Hisham Shirawi and Director General Hamad Buamim. McNerney kicked off her remarks by acknowledging the challenges faced in Dubai vis-a-vis Iran, particularly given Iran's use of front companies to disguise illegitimate trade. She noted the important role the private sector can and should play, especially given its enormous size (the DCCI has over 100,000 members at present). She reminded participants that the key international framework with regard to Iran are UN Security Council Resolutions (UNSCRs) 1737 and 1747. Tobey again described DOE's programs with regard to detecting, securing, and disposing nuclear material.

18. (SBU) Shirawi stressed the importance of Dubai maintaining its status in the region by offering a certain standard of living and openness to all nationalities. He said he understood the USG's concern regarding the transshipment through the UAE of illicit goods, but he conveyed his personal doubts that this was actually happening to the extent claimed. If Iran wanted sensitive materials, he argued, it would look to transport through other channels so as not to jeopardize the livelihood of Iranian citizens living here.

19. (SBU) Buamim explained that the DCCI, Dubai Customs, and Dubai's General Department of State Security require a certificate for transactions of goods costing more than \$200,000. Buamim noted that trade with Iran decreased by more than 35 percent after UNSCRs 1737, 1747, and 1803, which had had a negative impact on the Dubai business community. However, he stressed Dubai is working hard on this issue. He described

DCCI's efforts to continue to raise awareness among the Dubai business community through various means such as training. Despite this, though, Buamim clearly expressed his belief that tighter trade controls would result in a larger gray/black market.

¶10. (SBU) Al Shirawi said that the DCCI will promote the implementation of the UAE's export control laws to maintain stability and security. He stated that monitoring dual-use items is especially challenging because it could involve everything, including goods not on a control list. McNerney emphasized the importance of end-user checks for this very reason. In order for the DCCI to implement any law, Al Shirawi requested that we provide clear lists with detailed descriptions, bar codes, and restrictions. He stated that without harmonized systems between the USG and the UAE, it will be difficult to implement the laws. Al Shirawi suggested a secure website where the DCCI could access updated lists of companies or individuals.
SUTPHIN